

CHARTING YOUR COURSE



THE STATE OF MAINE DEFERRED COMPENSATION PLAN NEWSLETTER

March 2002

Navigating Plan Changes. This issue of *Charting Your Course* provides highlights about the new tax law that became effective in January 2002. Details about EGTRRA (the Economic Growth and Tax Relief Reconciliation Act) can be found on the State's website on the Accounts and Control page. Also included in this newsletter is new information — and some important reminders — about investment options available through the Plan.

WHAT'S IN THIS ISSUE

A Good Plan Is Getting Even Better

Investment Fund Details

More Benefits of EGTRRA

Important Reminders About Your Plan Investments

A GOOD PLAN IS GETTING EVEN BETTER

Thanks to EGTRRA, you can now contribute even more to the State's Deferred Compensation Plan. For 2002, you may save \$11,000 or 50% of taxable income, whichever is less. That's an increase of \$2,500 over what you could save in 2001. And, if you're age 50 or older by December 31, 2002, you can contribute an extra \$1,000 in special age-50 catch-up contributions, for a total annual Plan contribution of \$12,000.

The following table shows the annual increased contribution limits for upcoming years. You may want to consider increasing your rate of contribution by increasing your payroll deduction, so that you can take full advantage of the benefits offered by the Plan.

Plan Year	Maximum Annual Contribution Limit	PLUS Annual Special Age-50 Catch-Up Contribution
2002	\$11,000	\$1,000
2003	\$12,000	\$2,000
2004	\$13,000	\$3,000
2005	\$14,000	\$4,000
2006	\$15,000	\$5,000
2007 and after	Indexed in \$500 increments	Indexed in \$500 increments

INVESTMENT FUND DETAILS

Coming Soon...

A number of you have been asking for a socially responsible mutual fund option — that is, a fund that allows you to invest without compromising your beliefs and principles. To ensure that these concerns can be met while investing in the State's Plan, the participating financial services organizations, Hartford Life Insurance Company, ING Aetna Financial Services and VALIC Retirement Services Company, will begin offering socially responsible funds later this year. Be sure to read future issues of *Charting Your Course* for more information.

IMPORTANT NOTE: The information presented here is not intended as investment advice. Its purpose is to help you understand the investment options available through the State of Maine's Deferred Compensation Plan. Your financial strategy and investment choices are entirely your own and should reflect your personal needs and circumstances. State of Maine personnel, by federal law, cannot provide investment advice. For more information, you may want to consult with a professional financial advisor. The investment information is current as of December 31, 2001.

HARTFORD LIFE INSURANCE COMPANY								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of December 31, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
Low	Hartford Life Fixed Account	*	*	*	*	NA	NA	NA
	Hartford Bond HLS	0.97%	8.19%	5.57%	7.02%	0.51%	0.45%	0.96%
Medium	Hartford Advisers HLS	6.77	-5.35	0.77	9.37	0.66	0.75	1.41
	Janus Balanced	4.64	-5.75	3.91	12.05	0.87	0.75	1.62
	Hartford Dividend & Growth HLS	6.63	-4.76	3.11	10.64	0.68	0.75	1.43
	Hartford Index HLS	10.38	-12.97	-2.22	9.36	0.43	0.75	1.18
	Hartford Stock HLS	11.03	-12.89	-1.51	10.54	0.48	0.75	1.23
High	MFS Capital Opportunities	18.52	-25.49	0.89	10.22	1.11	0.75	1.86
	Invesco Technology	36.94	-45.91	0.26	7.06	0.99	0.75	1.74
	Janus Twenty	9.30	-29.73	-8.28	11.32	0.86	0.75	1.61
	MFS Mass Inv. Growth A	14.87	-25.40	-1.81	14.11	0.85	0.75	1.60
	Hartford Capital Appreciation HLS	13.05	-7.63	12.30	14.53	0.68	0.75	1.43
	Hartford Mid Cap HLS	19.76	-4.34	21.51	NA	0.70	0.75	1.45
	Franklin Small-Mid Cap Growth	24.44	-21.12	11.37	9.52	0.86	0.75	1.61
	American Century International Growth	4.00	-27.35	0.02	7.03	1.20	0.75	1.95
	Janus Worldwide	12.69	-23.45	1.00	9.01	0.88	0.75	1.63

* Fixed Accounts provide a specified rate of return. For current rates, along with an explanation of how they are determined, contact your financial services organization.

ING AETNA FINANCIAL SERVICES								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of December 31, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
Low	Aetna Fixed Account	*	*	*	*	NA	NA	NA
	Aetna Bond	0.28%	8.20%	5.25%	6.21%	0.49%	0.51%	1.00%
Medium	Aetna Balanced	6.58	-4.93	1.90	8.34	0.59	0.75	1.34
	Janus Aspen Balanced	4.66	-5.38	4.91	13.28	0.67	0.75	1.42
	Fidelity VIP Equity Income	9.16	-5.67	2.32	8.58	0.57	0.75	1.32
	Aetna Value Opportunity	6.99	-10.30	5.21	14.37	0.73	0.75	1.48
	Aetna Index + Large Cap	8.48	-14.27	-1.66	10.54	0.45	0.75	1.20
High	Aetna Growth	7.86	-27.61	-5.37	8.86	0.71	0.75	1.46
	Janus Aspen Growth	12.96	-25.30	-3.26	8.23	0.67	0.75	1.42
	Fidelity VIP Growth	16.60	-18.27	-0.50	10.82	0.66	0.75	1.41
	Aetna Index + Mid Cap	13.95	-2.06	10.24	NA	0.60	0.75	1.35
	Janus Aspen Aggressive Growth	13.43	-39.91	-3.10	6.28	0.67	0.75	1.42
	Pilgrim Small Cap Opportunity	17.11	-29.77	19.03	17.68	0.90	0.75	1.65
	Aetna Small Company	16.58	3.22	12.40	13.72	0.88	0.75	1.63
	Aetna International	13.12	-24.45	-3.55	NA	1.15	0.75	1.90
	Janus Aspen Worldwide	12.55	-23.02	1.69	10.29	0.70	0.75	1.45

VALIC RETIREMENT SERVICES COMPANY								
		Return on Investments (net of expenses)				Operating Expenses		
		Rates of Return as of December 31, 2001						
Level of Risk	Investment Options	Quarter to Date	Year to Date	Annualized		Management Fees	Other Expenses	Total Expenses
Low	VALIC Fixed-Interest Account	*	*	*	*	NA	NA	NA
	Vanguard Long Term Bond Index	-0.06%	7.76%	4.73%	7.85%	0.20%	0.42%	0.62%
	Vanguard Intermediate-Term Corporate Bond	-0.27	9.01	5.63	6.65	0.25	0.42	0.67
Medium	Munder Balanced A	8.59	-3.87	9.36	11.08	1.26	0.42	1.68
	American Funds American Balanced A	6.89	7.77	8.63	11.35	0.66	0.42	1.08
	American Funds Investment Co. of America A	7.72	-5.01	4.49	12.58	0.56	0.42	0.98
	Pioneer A	9.36	-11.46	0.54	12.54	1.09	0.42	1.51
	MFS Value A	8.48	-8.21	7.97	14.42	1.30	0.42	1.72
	Dreyfus S&P 500 Index	10.46	-12.78	-2.01	9.69	0.50	0.42	0.92
High	Oppenheimer Capital Appreciation A	14.31	-13.11	6.56	13.50	1.06	0.42	1.48
	MFS Mass Inv. Growth A	14.99	-25.22	-1.49	14.55	0.85	0.42	1.27
	Invesco Technology Inv.	37.09	-45.93	0.60	7.44	0.88	0.42	1.30
	Invesco Dynamics Inv.	30.55	-33.31	1.64	9.86	0.89	0.42	1.31
	Neuberger Berman Genesis Trust	15.30	11.66	15.17	13.72	1.21	0.42	1.63
	Oppenheimer Global A	16.61	-12.22	12.89	14.42	1.08	0.42	1.50
	Putnam International Growth A	8.27	-20.21	5.05	9.92	1.14	0.42	1.56

If you have any questions about the information in this newsletter, please contact your financial services organization or the State's Bureau of Accounts and Control at 207-626-8420. This is a new telephone number, since Anke Siem has left the Bureau for another State position. You can also visit the State's Deferred Compensation Plan website at <http://www.state.me.us/bac/Deferred%20Comp/index.htm>.

Hartford Life Insurance Company • Maine: 1-800-640-8787 • Outside Maine: 1-888-457-7824

ING Aetna Financial Services • Augusta: 207-622-4882 • Outside Augusta: 1-800-238-8458

VALIC Retirement Services Company • 1-800-448-2542 (Ext. 88631 in Maine)

MORE BENEFITS OF EGTRRA

If you qualify, you may be eligible for a tax credit if you contribute to the Plan. Generally, if you are married with an adjusted gross income of \$50,000 or less, or single with an adjusted gross income of \$25,000 or less, you can receive a credit for 10% to 50% of your contribution, up to a maximum contribution of \$2,000. This tax credit is available for tax years 2002 through 2006, provided you owe taxes during those years.

Another positive change is that the State's Deferred Compensation Plan can accept rollovers from any defined contribution plan, including a 401(k) or 403(b) plan, or from an individual retirement account (IRA). And, if you retire or stop working for the State, you may be able to roll over your distribution into another qualified plan or an IRA. These provisions allow you to combine multiple sources of retirement savings, making it easier for you to keep track of your investments. In addition, rolling over your distribution will enable you to delay paying taxes on the money.

IMPORTANT REMINDERS ABOUT YOUR PLAN INVESTMENTS

Improved Investment Options

We improved the investment options available through the Plan effective October 1, 2001. You now have wide-ranging choices that offer lower expenses while meeting higher investment performance standards. You were given the opportunity to choose new fund options from October 1 through March 2002. If you are participating in funds that are going to be discontinued, you need to make an election to invest your future contributions in new fund options by the March 2002 deadline set by your financial services organization. Otherwise, your future contributions will be moved automatically to the options that most closely fit your current investment profile. The existing account balance will remain in the old fund option until a later date. If you would like to make new fund elections, please contact your financial services organization: Hartford Life Insurance Company, ING Aetna Financial Services or VALIC Retirement Services Company.

CitiStreet No Longer Participates in the Plan

CitiStreet is no longer one of the Plan's financial services organizations. If CitiStreet was your chosen provider, you received a detailed letter outlining how to transition your

Plan account to one of the remaining financial services organizations. If the State's Central Payroll Department did not receive a new *Joinder Agreement* from you, your deferrals were automatically stopped as of February 1, 2002. In addition, if you did not complete a *Carrier-to-Carrier Transfer Form*, your CitiStreet account will be moved to a general account, where it will be held until your transfer request is received.

If you have not chosen a new financial services organization to replace CitiStreet, you must do the following now:

- Select a new provider (see: <http://www.state.me.us/bac/Deferred%20Comp/vendors.htm>).
- Complete and submit the following forms, which you can obtain from your new provider:
 - *Joinder Agreement*. Once the State's Central Payroll Department receives this form, your deferrals can begin again and will be sent to the new provider you have chosen.
 - *Carrier-to-Carrier Transfer Form*. This is the formal notification to CitiStreet to forward your account balance to the new financial services provider you have selected.